



THE MEDICARE PRESCRIPTION DRUG, IMPROVEMENT, AND MODERNIZATION ACT OF 2003:

HELPING TO ENSURE BENEFICIARY ACCESS TO HIGH QUALITY CARE

The new law takes considerable steps to ensure that providers serving Medicare beneficiaries receive appropriate reimbursement for the care they provide. In particular, the legislation makes significant progress to ensure that Medicare beneficiaries in rural areas receive needed health care services. Noteworthy measures include:

Hospital Market Basket – retains the full market basket update for hospitals that provide quality data beginning in 2005. **Pennsylvania hospitals have been very active in promoting the collection of quality data.**

Standardized Amount – permanently increases the standardized amount (or base payment rate) for rural and small urban hospitals by 1.6% so that it is equal to the payment rate for large urban hospitals. This means **over \$343 million to Pennsylvania hospitals over the next 10 years.**

Labor Share – reduces the share of hospital payments adjusted for local area wages from 71% to 62%. **Pennsylvania hospitals will see increased payments of more than \$253 million as a result of this provision over the next 10 years.**

Indirect Medical Education – increases payment adjustments for Indirect Medical Education from 5.5% to 6.0% in 2004, 5.85% in 2005 and 5.55% in 2006. **This will increase payments to Pennsylvania hospitals educating future physicians by \$30 million.**

Disproportionate Share – increases the limitation on Medicare Disproportionate Share payments to rural and small urban hospitals from 5% to 12%. **As a result, Pennsylvania's rural and small urban hospitals will receive more than \$18 million in additional compensation during the next 10 years for the care they provide Medicare beneficiaries.**

Physician Payments – provides physicians with a 1.5% increase in payments in 2004 and 2005, eliminating a proposed cut of 4.5%. **As a result, physicians in Pennsylvania will receive \$500 million during the next 2 years for the services they provide Medicare patients.**

Rural Physician Payments – establishes a floor on the geographic adjuster for physician work of 1.0 and provides a 5% bonus for physicians working in scarcity areas for three years each. **Physicians in Pennsylvania will receive a total of \$21 million due to these changes (\$13 million resulting from the change in the geographic floor adjustment and \$8 million from the shortage area bonus).**

Regulatory Reform – makes commonsense changes to Medicare rules and regulations to **reduce the paperwork burden on providers.** Reforms include: requiring Medicare to provide more accurate guidance and respond quickly to information requests; prohibiting sanctions on providers for following erroneous guidance; and allowing claims modifications to be made without a lengthy appeals process.